

A business operates within an environment which directly or indirectly affects its operations. In marketing, the nature of business environment affects the marketing process. Although the environmental forces are uncontrollable, the marketers need to identify and monitor the factors that are directly related and affect the marketing strategies in the firm. The external forces affect consumers' behavior and decision. Because of this, managers need to be aware of these forces and how to deal with them in order to effectively manage the firm.

Marketing environment can be categorized into three components, namely 'the macro-environment', 'the micro-environment', and 'the internal environment'. The micro environment includes direct or indirect suppliers, customers and consumers. This environment influences the firm directly. The nature of the relationship is 'micro' and the firm may have some influence on them. Macro-environment on the other hand does not have a direct control on the firm. They are the factors that influence the firm such as competition, rivalry in the market, threat of substitute products and new market entrants. These factors change continuously and there is a need for the managers to compensate for the changes.

Because of the dynamic and uncontrollable nature of the external forces, it is important for the marketing managers to study the current demographic trends in order to understand the nature of the anticipated market. The trend will help in predicting the consumer behavior. Population growth leads to environmental pollution and resource depletion which necessitates the political class to enact new laws to protect the environment. Once the restrictions are imposed, new technological solutions are sought which may be affordable and hence changes people's attitudes and consumer behavior.

Consumer decision making process follows five steps: need recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior. These steps are followed every time a consumer is making a purchase.

The individual consumer buying decision is influenced by personal, psychological and social issues. Personal issues vary depending on the consumer needs. The social and physiological needs include the need such as need for food. A good marketer needs to understand these factors and compare them with demographic data and apply the information in the marketing of products.